



Volunteers of America
Utah

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

JUNE 30, 2005 AND 2004

CONTENTS

Independent Auditors' Report	3
Statements of Financial Position	4
Statements of Activities	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to the Financial Statements	10
Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards	20
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	21
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	22
Independent Auditors' Report on State Legal Compliance	24
Schedule of Findings and Questioned Costs	25
Summary Schedule of Prior Audit Findings	26



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Volunteers of America - Utah

We have audited the accompanying statements of financial position of Volunteers of America – Utah (a nonprofit organization) as of June 30, 2005 and 2004 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America – Utah as of June 30, 2005 and 2004 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005, on our consideration of Volunteers of America – Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Volunteers of America – Utah taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
October 14, 2005

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 636,521	\$ 449,984
Unconditional promises to give net of allowance, current portion (Notes 2 & 5)	25,875	43,922
Grants receivable (Note 4)	425,129	372,726
Other receivables	17,303	873
Inventory (Note 2)	8,854	10,875
Prepaid expenses	21,207	17,673
Total Current Assets	<u>1,134,889</u>	<u>896,053</u>
PROPERTY AND EQUIPMENT (Note 2)		
Land, buildings and improvements	2,392,501	2,251,512
Furnishings and equipment	481,369	503,637
Accumulated depreciation	<u>(716,651)</u>	<u>(642,680)</u>
Total Property and Equipment	<u>2,157,219</u>	<u>2,112,469</u>
OTHER ASSETS		
Unconditional promises to give (Notes 2 & 5)	27,995	81,375
Endowment investments (Note 10)	36,805	34,410
Deposits	<u>5,722</u>	<u>6,808</u>
Total Other Assets	<u>70,522</u>	<u>122,593</u>
TOTAL ASSETS	<u><u>\$ 3,362,630</u></u>	<u><u>\$ 3,131,115</u></u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF FINANCIAL POSITION (Continued)

LIABILITIES AND NET ASSETS

	June 30,	
	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 299,688	\$ 258,127
Payables to a related party (Note 7)	54,336	10,792
Deferred revenue, current portion (Note 5)	25,875	43,922
Notes payable, current portion (Note 3)	<u>25,309</u>	<u>23,756</u>
Total Current Liabilities	<u>405,208</u>	<u>336,597</u>
LONG-TERM LIABILITIES		
Deferred revenue (Note 5)	27,995	81,375
Notes payable (Note 3)	<u>308,260</u>	<u>331,317</u>
Total Long-Term Liabilities	<u>336,255</u>	<u>412,692</u>
TOTAL LIABILITIES	<u>741,463</u>	<u>749,289</u>
NET ASSETS		
Unrestricted	2,292,537	2,106,796
Temporarily restricted (Notes 2 and 6)	<u>328,630</u>	<u>275,030</u>
Total Net Assets	<u>2,621,167</u>	<u>2,381,826</u>
Total Liabilities and Net Assets	<u><u>\$ 3,362,630</u></u>	<u><u>\$ 3,131,115</u></u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
(with comparative summarized information for 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Totals</u>	<u>2004 Totals</u>
Revenues from Operations				
Public Support Received Directly:				
Contributions	\$ 697,889	\$ 96,000	\$ 793,889	\$ 1,043,313
In-kind contributions	414,818	-	414,818	391,623
Public Support Received Indirectly:				
United Way	119,906	-	119,906	105,941
Total Public Support	<u>1,232,613</u>	<u>96,000</u>	<u>1,328,613</u>	<u>1,540,877</u>
Revenue and Grants from Governmental Agencies	<u>3,080,564</u>	<u>-</u>	<u>3,080,564</u>	<u>2,867,127</u>
Other Revenue:				
Program service fees	40,449	-	40,449	35,277
Miscellaneous income	8,399	-	8,399	29,954
Gain on debt forgiveness (Note 3)	26,686	-	26,686	-
Interest income	7,722	-	7,722	5,269
Total Other Revenue	<u>83,256</u>	<u>-</u>	<u>83,256</u>	<u>70,500</u>
Net assets released from restriction	<u>42,400</u>	<u>(42,400)</u>	<u>-</u>	<u>-</u>
Total Revenues from Operations	<u>4,438,833</u>	<u>53,600</u>	<u>4,492,433</u>	<u>4,478,504</u>
Operating Expenses				
Program Services:				
Homeless services	756,796	-	756,796	690,472
Substance abuse	1,861,966	-	1,861,966	1,790,554
Housing	187,020	-	187,020	196,878
Community enhancement	518,148	-	518,148	507,456
Total Program Services	<u>3,323,930</u>	<u>-</u>	<u>3,323,930</u>	<u>3,185,360</u>
Supporting Services:				
Management and general	415,942	-	415,942	388,159
Fund raising	416,975	-	416,975	611,893
Administrative fees paid to National Organization	96,245	-	96,245	66,233
Total Supporting Services	<u>929,162</u>	<u>-</u>	<u>929,162</u>	<u>1,066,285</u>
Total Operating Expenses	<u>4,253,092</u>	<u>-</u>	<u>4,253,092</u>	<u>4,251,645</u>
Change in Net Assets	<u>185,741</u>	<u>53,600</u>	<u>239,341</u>	<u>226,859</u>
Net Assets at Beginning of Year	<u>2,106,796</u>	<u>275,030</u>	<u>2,381,826</u>	<u>2,154,967</u>
Net Assets at End of Year	<u>\$ 2,292,537</u>	<u>\$ 328,630</u>	<u>\$ 2,621,167</u>	<u>\$ 2,381,826</u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005
(with comparative summarized information for 2004)

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL PROGRAM	
	Homeless Services	Substance Abuse	Housing	Community Enhancement	Total	Management and General	Fund Raising	Total	
Salaries	\$ 349,573	\$ 1,071,043	\$ 113,916	\$ 129,375	\$ 1,663,907	\$ 248,887	\$ 115,228	\$ 364,115	\$ 2,028,022
Pension expense	3,354	21,491	2,088	3,309	30,242	3,848	2,143	5,991	36,233
Other employee benefits	34,776	90,188	8,965	9,554	143,483	5,583	7,049	12,632	156,115
Payroll taxes	25,731	77,941	9,109	9,513	122,294	11,630	7,101	18,731	141,025
Legal fees	1,797	2,840	443	-	5,080	1,230	-	1,230	6,310
Accounting fees	-	-	-	-	-	17,381	-	17,381	17,381
Other professional fees	96,954	83,959	6,607	-	187,520	12,711	1,926	14,637	202,157
Supplies and expenses	42,985	161,743	2,029	9,546	216,303	11,737	252,719	264,456	480,759
Telephone	17,730	17,529	1,607	10,356	47,222	8,021	7,745	15,766	62,988
Postage	161	888	63	1,356	2,468	1,551	1,316	2,867	5,335
Occupancy expenses	48,789	118,052	18,460	28,064	213,365	47,849	4,997	52,846	266,211
Interest	-	9,792	-	-	9,792	660	-	660	10,452
Equipment rental and maintenance	3,381	19,876	1,484	-	24,741	5,107	35	5,142	29,883
Printing and publications	1,812	7,438	467	1,275	10,992	2,912	6,846	9,758	20,750
Travel	550	543	51	15,858	17,002	1,139	658	1,797	18,799
Conferences and meetings	5,920	7,404	2,313	15,245	30,882	10,556	4,197	14,753	45,635
Direct client expenses	90,537	60,154	9,289	274,649	434,629	(27)	-	(27)	434,602
Other expenses	426	733	59	1,229	2,447	8,264	(15)	8,249	10,696
Depreciation and amortization	32,320	110,352	10,070	8,819	161,561	16,903	5,030	21,933	183,494
Total Functional Expenses	\$ 756,796	\$ 1,861,966	\$ 187,020	\$ 518,148	\$ 3,323,930	\$ 415,942	\$ 416,975	\$ 832,917	4,156,847
Administrative fees paid to National Organization									4,185,412
Total Expenses								96,245	\$ 4,253,092
									\$ 4,251,645

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 239,341	\$ 226,859
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	183,494	149,280
Cumulative effect of change in accounting principle	-	-
Unrealized gain on endowment investments	(2,395)	(3,172)
Gain on debt forgiveness	(26,686)	-
Changes in assets and liabilities:		
Decrease in unconditional promises to give	71,427	7,667
Increase in grants receivable	(52,403)	(153,338)
(Increase) decrease in other receivables	(16,430)	10,218
Decrease in inventory	2,021	2,937
Increase in prepaid expenses	(3,534)	(469)
Decrease in deposits	1,086	5,372
Increase in accounts payable and accrued expenses	52,188	99,212
Increase (decrease) in accounts payable, related party	43,544	(97,187)
Decrease in deferred revenue	(71,427)	(7,667)
Net Cash Provided by Operating Activities	<u>420,226</u>	<u>239,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of endowment investments	-	(31,238)
Purchases of land, buildings and improvements	(140,989)	(75,314)
Purchases of furnishings and equipment	<u>(87,255)</u>	<u>(139,778)</u>
Net Cash Used by Investing Activities	<u>(228,244)</u>	<u>(246,330)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in line of credit	717	2,009
Payments on notes payable	<u>(6,162)</u>	<u>(5,548)</u>
Net Cash Used by Financing Activities	<u>(5,445)</u>	<u>(3,539)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	186,537	(10,157)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>449,984</u>	<u>460,141</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 636,521</u>	<u>\$ 449,984</u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF CASH FLOWS (Continued)

	For the Years Ended June 30,	
	2005	2004
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Payments For:		
Interest	\$ 661	\$ 71
Income taxes	\$ -	\$ -
Non-Cash Investing and Financing Activities:		
Land and building purchased through the issuance of a note payable	\$ -	\$ 203,980

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2005 and 2004

NOTE 1 - ORGANIZATION

Volunteers of America - Utah (the Agency) is a nonprofit spiritually based human services organization, incorporated in the State of Utah, that provides social services within the State of Utah under a charter from Volunteers of America, Inc., a national nonprofit spiritually based organization providing local human service programs, and opportunities for individual and community involvement.

Volunteers of America - Utah operates social service programs within the counties of Salt Lake, Davis, Tooele, Carbon, Grand, San Juan, and Emery in the State of Utah. Following are descriptions of these programs:

Center for Women and Children

The Agency, under contract with the U.S. Department of Housing and Urban Development and Salt Lake County, assists homeless substance abusing women to begin the process of recovery and break the cycle of substance abuse and homelessness. This program is unique in the State of Utah because it allows the women's children to also be admitted into the center. Through preventive services provided to the children, the inter-generational nature of substance abuse and homelessness is impacted. Following detoxification, women and their children are referred to various treatment programs.

Substance Abuse Day Treatment Program

The Agency, under contract with Salt Lake County, operates a program where clients are referred directly from Detox after having completed a detoxification period. While in the Day Treatment Program, clients receive counseling and attend group therapy sessions. This program combines substance abuse counseling with living skills training to enable clients to become self-sufficient, productive members of society.

Retired and Senior Volunteer Program

This program is authorized by a contract with Corporation for National Services. It began in October 1998 and helps individuals age 55 and older put their skills to work for their communities. The program operates in Davis County and utilizes volunteers to work in a variety of settings including schools and hospitals. In June 2000, the program began operating in Tooele County. In July 2001, the program began operating in Emery County.

Housing Program

The Agency operates a program consisting of three components, (1) 12 Housing Authority of Salt Lake City Transitional Housing units that provide housing, case management and outpatient treatment to 12 individuals or families, (2) 40 Shelter Plus Care vouchers which provide case management and outpatient treatment to 40 individuals or families. Clients receive Section 8 housing vouchers from the Housing Authority of the County of Salt Lake and move into private housing. Housing Program clients continue their recovery process by working toward self-sufficiency and establishing a stable, substance-free home environment, and (3) 24 Transition to Work units provide case management to the Sundown Apartments which is for veterans, a four plex for women and an eight plex for men and women. Services are provided under contract with the Housing Authority of Salt Lake City, State of Utah Homeless Trust Fund, Salt Lake County Division of Substance Abuse, and the United Way.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2005 and 2004

NOTE 1 – ORGANIZATION (continued)

Alcohol/Drug Detoxification Program

The Agency, under contract with Salt Lake County, provides a 56-bed adult program where clients can safely detox from alcohol and chemical dependency. They are screened for serious medical problems and, if necessary, are transported to a medical facility. While in the Center, the clients are assessed, attend daily meetings, participate in case management and referred to treatment programs including the Day Treatment Program operated by the Agency.

Homeless Outreach Programs

The program funded by the U.S. Department of Housing and Urban Development and the United Way seeks homeless individuals and families out on the streets, under viaducts, along railroad tracks and on the banks of creeks. The outreach team offers food, sleeping bags, coats, gloves and other necessities. Needs are assessed and attempts to engage homeless individuals and families in other community services (medical, substance abuse, mental health, shelters, etc.) are made. If services are accepted the team transports the clients to and from appointments.

Homeless Youth Street Outreach

The program is funded primarily by the U.S. Department of Health and Human Services and provides street outreach services to homeless youth.

Homeless Youth Drop In Center

The program, funded primarily by private foundations, the U.S. Department of Housing and Urban Development, the Pamela Atkinson Homeless Trust Fund, and the United Way, offers meals, clothing, showers and laundry facilities for homeless youth aged 16-21 years old. Counseling, GED classes and life skills training are also available to provide support.

Homeless Youth Transition Home

The program, funded primarily by private foundations, the department of Health and Human Services and the Pamela Atkinson Homeless Trust Fund, is a seven bed, 18-month youth development program providing housing and case management designed to provide support, guidance, and structure to formerly homeless youth.

Foster Grandparent Program

The program is authorized by a contract with the Corporation for National Services. It began in October 2003 and helps individuals age 60 and older with limited income. Foster Grandparents their life experiences to work for local communities. Foster Grandparents serve as mentors, tutors, and caregivers for at-risk children and youth with special needs through a variety of community organizations, including schools, hospitals, drug treatment facilities, correctional institutions, and Head Start and day-care centers.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2005 and 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Agency conform to generally accepted accounting principles as applicable to voluntary health and welfare organizations. The more significant accounting policies of the Agency are described below:

Basis of Accounting

The Agency prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Inventory

Inventory is carried at cost (first-in, first-out basis) which approximates market value. Inventory consists mainly of food and maintenance supplies.

Federal Income Taxes

Volunteers of America - Utah is exempt from Federal income taxes as a subordinate unit of Volunteers of America, Inc. Volunteers of America, Inc. is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3).

Reclassifications

Certain amounts for the year ended June 30, 2004 have been reclassified to conform with the presentation of the June 30, 2005 amounts.

Cash and Cash Equivalents

Volunteers of America - Utah considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments.

At June 30, 2005 and 2004, the Agency had balances of \$328,630 and \$275,030, respectively, for the temporarily restricted net assets. As a result, the cash and cash equivalents is temporarily restricted for the same amounts until used for their specific purposes.

Contributed Noncash Assets and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. The Agency recognizes contribution revenue for certain services received at the fair value of those services provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2005 and 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Pledged contributions are recognized as revenue when collected since collectability is not assured and pledges are not legally enforceable. Deferred revenue represents pledges not collected at year-end (see Note 5). All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Summary Financial Information for 2004

The financial statements include certain prior-year summarized comparative information in total but not by net class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Credit Risks

The Federal Deposit Insurance Corp. (FDIC) insures amounts up to \$100,000. The Agency's cash accounts occasionally exceed the insured amount.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Land, buildings and equipment purchased by the Agency are recorded at cost. The Agency follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$500; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets as follows: buildings and improvements (5–20 years) and furnishings and equipment (3–10 years).

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2005 and 2004

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Note payable to Volunteers of America, Inc. (see Note 7), non interest bearing, balance due June 30, 2007.	\$ 6,155	\$ 6,155
Note payable to Volunteers of America, Inc. (see Note 7), interest at 5.21% per annum, principal and interest payments of \$26,686 due annually beginning October 1, 2004, matures on October 1, 2013, secured by land and building. Annual payments will be forgiven on an annual basis if certain ratios and financial requirements are met.	187,921	203,980
Line of credit with a bank, maximum available amount of \$200,000, interest at the bank's prime rate, secured by fixed assets, line was renewed on July 15, 2005 and is available for a period of one year.	2,726	2,009
Note payable to the State of Utah, non interest bearing, payments of \$474 due monthly, balance due June 1, 2029, secured by a trust deed.	<u>136,767</u>	<u>142,929</u>
Totals	333,569	355,073
Less: current portion	<u>(25,309)</u>	<u>(23,756)</u>
Total Long-Term Notes Payable	<u>\$ 308,260</u>	<u>\$ 331,317</u>

Principal maturities are as follows:

<u>June 30,</u>	
2006	\$ 25,309
2007	29,619
2008	24,390
2009	25,365
2010	26,390
Thereafter	<u>202,496</u>
	<u>\$ 333,569</u>

Volunteers of America, Inc. forgave the principal and interest payment due October 1, 2004 of \$26,686 based on the Agency meeting certain ratios and financial requirements during the year.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2005 and 2004

NOTE 4 - GRANTS RECEIVABLE

Grants receivable are deemed to be fully collectable by management and are composed of the following amounts due at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Salt Lake County Division of Substance Abuse	\$ 169,112	\$ 166,832
Salt Lake County CDBG	3,851	13,845
Salt Lake City Housing Authority	2,822	6,473
Corporation for National Services	113,893	102,017
Salt Lake City Corporation CDBG	-	22,100
U.S. Department of Health and Human Services	64,639	16,667
State of Utah	16,500	5,000
Veterans Administration	715	-
Salt Lake County Division of Social Services	3,361	-
Utah Department of Health	5,449	-
U.S. Department of Housing and Urban Development	<u>44,787</u>	<u>39,792</u>
Total Grants Receivable	<u>\$ 425,129</u>	<u>\$ 372,726</u>

NOTE 5 – PLEDGES RECEIVABLE AND DEFERRED REVENUE

Recognition of revenue on pledges receivable has been deferred until pledges have actually been collected since collection is not assured and pledges are not legally enforceable by the Agency.

Deferred revenue at June 30, 2005 and 2004 consisted of the following:

	<u>2005</u>	<u>2004</u>
Pledges receivable, current portion	\$ 25,875	\$ 43,922
Pledges receivable, long-term portion	<u>27,995</u>	<u>81,375</u>
Total deferred revenue	53,870	125,297
Less: current portion of deferred revenue	<u>(25,875)</u>	<u>(43,922)</u>
Long-term portion of deferred revenue	<u>\$ 27,995</u>	<u>\$ 81,375</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2005</u>	<u>2004</u>
Women's Detoxification Center	\$ 1,142	\$ 2,327
Adult Detoxification Center	177,074	177,074
Homeless Youth Resource	13,535	-
Homeless Outreach Program	46,873	5,623
Substance Abuse Day Treatment Program	67,369	67,369
Housing Program	<u>22,637</u>	<u>22,637</u>
Total temporarily restricted net assets	<u>\$ 328,630</u>	<u>\$ 275,030</u>

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2005 and 2004

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets totaling \$42,400 and \$43,747 were released from donor restrictions by incurring expenses or capital purchases satisfying the purpose of the Homeless Outreach Program, Women's Detoxification Center, Homeless Youth Resource Center and Adult Detoxification Center during the years ended June 30, 2005 and 2004, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

Volunteers of America - Utah is affiliated with Volunteers of America, Inc., which provides administrative services to the Agency for a fee. Administrative fees for the fiscal years ended June 30, 2005 and 2004 totaled \$96,245 and \$66,233, respectively. As explained in Note 3, the Agency has loans due to Volunteers of America, Inc. as of June 30, 2005 and 2004 totaling \$194,076 and \$210,135, respectively. The Agency also owed Volunteers of America, Inc. administrative fees and deposits totaling \$7,166 and \$5,843 as of June 30, 2005 and 2004, respectively, which have been included in the payables to a related party balance in the statement of financial position.

During the fiscal year ended June 30, 2003, Volunteers of America, Inc. started operating the donated car program for the Agency. As a result of running the program, the Agency owed Volunteers of America, Inc. \$47,170 and \$4,949 as of June 30, 2005 and 2004, respectively, and these unpaid amounts are included in the payables to a related party balance in the statement of financial position.

NOTE 8 – OPERATING LEASES

The Agency is obligated under five operating leases as described as follows:

Equipment Leases

Effective July 14, 2005, the Agency entered into operating leases for copiers. The lease terms are for thirty-nine (39) months and require monthly payments of \$1,053. The future minimum lease payments under the leases are as follows:

<u>June 30,</u>	<u>Amount</u>
2006	\$ 12,636
2007	12,636
2008	12,636
2009	3,159
	<u>\$ 41,067</u>

Administrative Office

Effective November 1, 2004, the Agency renewed the lease for its office space and entered into a new one-year non-cancelable lease for \$2,405 per month. Rental expense under the current and former lease on its office space totaled \$28,624 for the fiscal year ended June 30, 2005. The future minimum rent expense under the lease is as follows:

<u>June 30,</u>	<u>Amount</u>
2006	\$ <u>9,620</u>

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2005 and 2004

NOTE 8 – OPERATING LEASES (Continued)

Homeless Youth Drop-In Center

Effective January 1, 2005, the Agency renewed the lease for its Homeless Youth Drop-In Center and entered into a new five-year non-cancelable operating lease. Monthly lease payments are currently \$937 per month and increase by approximately 6% on each anniversary date of the lease. Rental expense under this operating lease totaled \$11,613 for the fiscal year ended June 30, 2005. The future minimum rent expense under the lease is as follows:

<u>June 30,</u>	<u>Amount</u>
2006	\$ 11,578
2007	12,273
2008	13,009
2009	13,790
2010	<u>7,096</u>
	<u>\$ 57,746</u>

Day Treatment Services

Effective August 1, 2005, the Agency renewed the office space lease for its Day Treatment and Housing Programs and entered into a new three-year non-cancelable operating lease. Monthly lease payments begin at \$4,348 per month on the new lease and increase by approximately 3% on each anniversary date of the lease. Rental expense under this operating lease totaled \$56,644 for the fiscal year ended June 30, 2005. The future minimum rent expense under the lease is as follows:

<u>June 30,</u>	<u>Amount</u>
2006	\$ 52,051
2007	53,613
2008	55,221
2009	<u>4,613</u>
	<u>\$ 165,498</u>

Homeless Outreach Program

On July 21, 2003, the Agency entered into a three-year non-cancelable operating lease on office space for its Homeless Outreach Program. The lease commenced on July 21, 2003 and ends on July 31, 2006. Monthly payments are currently \$800. Rental expense under this operating lease totaled \$9,600 for the fiscal year ended June 30, 2005. The future minimum rent expense under the lease is as follows:

<u>June 30,</u>	<u>Amount</u>
2006	\$ 9,600
2007	<u>800</u>
	<u>\$ 10,400</u>

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2005 and 2004

NOTE 9 - PENSION PLAN

The Agency participates in a non-contributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all commissioned ministers. Pension plan expense was \$8,573 and \$7,415 for the years ended June 30, 2005 and 2004, respectively. Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to the Agency are not readily available.

The Agency maintains another pension plan for its employees, including its executive director. The plan is a 403-B defined contribution plan, into which the Agency contributes 4% of eligible employee's wages and salaries during the year for those participants who contribute a minimum of 1% of eligible earnings. Employees are eligible to participate in this plan after one year of service. The related pension expense for June 30, 2005 and 2004 for this plan was \$27,660 and \$28,697, respectively. Employees are also able to make elective contributions to this plan subject to the same annual limitation rules governing 401-K plans. The related contributions by employees for the year ended June 30, 2005 and 2004 was \$39,106 and \$42,955, respectively.

NOTE 10 – ENDOWMENT INVESTMENTS

In October 2003, the Agency entered into a National Pooled Investment Agreement (the "Agreement") with Volunteers of America, Inc. (the Agency's National Office). The Agreement allows the Agency to participate in a managed investment program through investment pools. Deposits of a minimum of \$1,000 may be made at any time. Endowment investments as of June 30, 2005 are summarized as follows:

	<u>Original Cost</u>	<u>Increase in Value</u>	<u>Carrying Value</u>
Unrestricted:			
Pooled Mutual Funds	\$ 31,238	\$ 5,567	\$ 36,805

VOLUNTEERS OF AMERICA - UTAH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

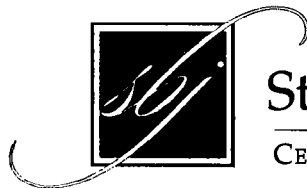
Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Award Expended
Department of Health and Human Services			
Pass-through from Utah State			
Department of Social Services and Salt			
Lake County Division of Substance Abuse			
ADM Block Grant Substance			
Abuse Treatment			
Social Detoxification	93.959	AL1247C	\$ 851,634
Transitional Living Program for Runaway and Homeless Youth	93.550	08CX000803	200,000
Street Outreach Program for Runaway and Homeless Youth	93.550	08YO0010	79,636
Total U.S. Department of Health and Human Services			<u>1,131,270</u>
Department of Housing and Urban Development			
Innovative Project Funding	14.235	UT01B10-0003	110,510
Special Needs Assistance Program	14.235	UT01B10-0004	160,034
Special Needs Assistance Program	14.235	UT01B20-0004	108,687
Special Needs Assistance Program	14.235	UT01B10-0009	91,401
Special Needs Assistance Program	14.235	UT01B40-0007	16,625
Pass-through from Salt Lake County			
Community Development Block Grant	14.218		31,883
Pass-through from Housing Authority of SLC			
Transitional Housing Component of the Supportive Housing Demonstration Program Grant	14.853		17,094
Total U.S. Department of Housing and Urban Development			<u>536,234</u>
Corporation for National and Community Service			
Retired Senior Volunteer Program	94.002	03SRPUT002	101,703
Retired Senior Volunteer Program	94.002	02SRPUT011	43,634
Foster Grandparent Program	94.011		186,140
Total Corporation for National and Community Service			<u>331,477</u>
Department of Veteran Affairs			
Pass-through from SLC Housing Authority			
VA Homeless Providers Grant			
VALOR HOUSE and 4-8 plex	64.024		22,464
Federal Emergency Management Agency			
Emergency Food and Shelter			
National Board Program	83.523		17,896
Totals			<u>\$ 2,039,341</u>

* Denotes a major program.

VOLUNTEERS OF AMERICA – UTAH
Note to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

ITEM 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Volunteers of America – Utah
Salt Lake City, Utah

We have audited the financial statements of Volunteers of America - Utah (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Volunteers of America - Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Volunteers of America - Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
October 14, 2005



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Volunteers of America – Utah
Salt Lake City, Utah

Compliance

We have audited the compliance of Volunteers of America - Utah (a nonprofit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Volunteers of America - Utah's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Volunteers of America - Utah's management. Our responsibility is to express an opinion on Volunteers of America - Utah's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Volunteers of America - Utah's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Volunteers of America - Utah's compliance with those requirements.

In our opinion, Volunteers of America - Utah complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Volunteers of America - Utah is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Volunteers of America - Utah's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
October 14, 2005



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

Board of Directors
Volunteers of America – Utah
Salt Lake City, Utah

We have audited the financial statements of Volunteers of America - Utah, a nonprofit corporation, for the year ended June 30, 2005 and have issued our report thereon dated October 14, 2005. As part of our audit, we have audited Volunteers of America - Utah's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. Volunteers of America - Utah received the following major assistance program from the State of Utah:

Alcohol and Substance Abuse Treatment/Prevention Program (Utah State Department of Social Services, Division of Substance Abuse).

The management of Volunteers of America - Utah is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Volunteers of America - Utah's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Volunteers of America - Utah complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2005.

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
October 14, 2005

VOLUNTEERS OF AMERICA – UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

A. Summary of Audit Results

1. Our report on the financial statements of Volunteers of America - Utah expresses an unqualified opinion.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Volunteers of America - Utah were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Volunteers of America - Utah expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Volunteers of America - Utah as required to be reported under OMB Circular A-133, Section 510(a).
7. The programs tested as major programs included:

<u>Name</u>	<u>CFDA#</u>
US Dept. of Health and Human Services	93.959
US Dept. of Housing and Urban Development	14.235

8. The threshold for distinguishing Type A and Type B programs was \$ 300,000.
9. Volunteers of America - Utah was determined to be a low-risk auditee under OMB Circular A-133 standards.

B. Findings Related to Our Audit of the Financial Statements

No reportable conditions relating to the audit of the financial statements.

C. Findings and Questioned Costs Related to our Audit of the Major Federal Awards

No reportable conditions were disclosed during the audit of the major federal award programs.

VOLUNTEERS OF AMERICA – UTAH
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2005

There were no prior audit findings relative to federal award programs.